

**SUMMARY OF THE REGULAR MEETING OF THE
ARIZONA STATE RETIREMENT SYSTEM
OPERATIONS COMMITTEE**

**HELD ON
Thursday, April 24, 2008
10:30 a.m., MST**

The Operations Committee (OC) of the Arizona State Retirement System (ASRS) met in regular session in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, Arizona 85012. Mr. David Byers, Chair, called the meeting to order at 10:30 a.m.

This meeting was teleconferenced to the ASRS Tucson office at 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. David Byers, Chair
 Mr. Steven Zeman, Vice-Chair
 Dr. Keith Meredith (Via Teleconference)
 Mr. Michael Townsend (Via Teleconference)

A quorum of the Committee was present for the purpose of conducting business.

2. Approval of the Minutes of the February 28, 2008 OC Meeting

Motion: Mr. Steven Zeman moved the minutes of the February 28, 2008, OC meeting be adopted as presented. Mr. Michael Townsend seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

3. Presentation, Discussion and Appropriate Action Regarding the Deputy Director's Quarterly Information Technology (IT) Plan Report

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, introduced Mr. Bob Solheim, the ASRS Independent Advisory Consultant (IAC), who updated the Committee on the status of various projects within the IT Plan from an enterprise-wide perspective.

Mr. Solheim presented a chart to the Committee regarding an assessment of the enterprise IT plan's progress. The chart was divided into the various key performance indicators of the plan. Each indicator could be rated green (satisfactory progress), yellow (at risk), or red (unsatisfactory). All items were rated green, except for the staffing levels and the IT Plan meeting the schedule communicated to the ITAC. In the case of the former, Mr. Solheim indicated that staffing levels could be affected by contractors leaving as the IT Plan winds down. He did say, however, that with the current state of the economy, many contractors may continue through the end of all IT Plan work. As for the latter item, Mr. Solheim said the level was moved from green to yellow to indicate potential risk in missing schedule deadlines due to the approved alternative for Service Purchase Posting function of the Contributions project that may take up to an additional three months to complete.

Mr. Kent Smith, Assistant Director, Information Services Division, gave an update on the current status of the information technology items that were either completed or are currently in development. He noted that the second and third cycles of the Contribution Posting were complete and the last cycle of the Online Contributions Reporting has been deployed. Mr. Smith said Cycles 1 and 3 of the Pension Payroll were underway and Cycle 1 of the Mellon Migration project had been implemented.

4. Presentation, Discussion and Appropriate Action Regarding ASRS Membership Collection and Accounting

Mr. Guarino introduced Ms. Nancy Bennett, Assistant Director, Financial Services Division (FSD), who presented the Committee with an overview of the membership collection and accounting services and functions. Ms. Bennett addressed specific issues within membership collections and accounting, focusing on such items as records management and data integrity, data clean-up, electronic reporting, contributions accounting, membership balance accounting, and various initiatives that had been implemented to streamline and enhance membership collection and accounting. She presented both the performance objectives as well as the possible risks for each area of membership accounting.

5. Presentation, Discussion and Appropriate Action Regarding ASRS General Accounting and Financial Reporting

Ms. Bennett addressed the committee regarding ASRS general accounting and financial reporting. She reviewed the various objectives and risks involved with the accounting as well as a look at the expertise and competency being displayed by the ASRS. She ended her presentation with a discussion on several initiatives FSD is pursuing.

6. Review of Recently Conducted Audits

- **Pointe Educational Services**
- **Retiree Health Insurance**
- **Pension / LTD Death Reporting**

Mr. Guarino introduced Mr. Bernard Glick, the ASRS Chief Auditor, who updated the Committee on three recently conducted audits.

The first audit dealt with Pointe Educational Services. Mr. Glick said the audit of this school produced one finding. Pointe Educational Services was deducting ASRS contributions from part-time employees regardless if they met the 20/20 eligibility criteria or not. Mr. Glick said there were eight ineligible employees identified from 2005 to 2007. He said the ASRS owes Pointe a combined total contribution refund of \$5,971.48.

The second audit involved the ASRS Retirees' Health Insurance Program. Mr. Glick reported several findings from the audit including a recommendation of enhancements to PERIS and workflow UI systems to addresses processing issues, complying with state statute in using a mailing address to determine eligibility criteria for the rural premium benefit, modification of PERIS functions to allow more efficient processing, establishing written

procedures for certain Health Insurance functions that are not found in the Content Management System (CMS), and refining the strategic plan initiative related to Health Insurance production with relation to open enrollment processing.

Mr. Glick then addressed the Committee regarding the Pension / LTD Death Reporting for the ASRS. He stated the audit produced five findings including adequate controls being in play to prevent or immediately correct the payment of pensions to deceased annuitants living in the United States; the agency not having adequate verification procedures to identify whether pensioners residing in foreign countries are actually living; that the agency does not reconcile pension payroll on a monthly basis before being sent to Mellon Bank for payment; controls being inadequate for immediately identifying deceased LTD recipients; and that LTD vendor's payment reports contained numerous errors and inconsistencies.

7. Presentation, Discussion and Appropriate Action Regarding the Internal Audit Quarterly Reports

Mr. Glick presented a spreadsheet containing the current state of internal audits through March 2008. The spreadsheet listed the current audits, the hours budgeted and estimates as to how many hours were used to perform the audits.

He also mentioned that Mr. David Vidoni, the ASRS Compliance Officer, had passed away earlier in April and there were steps being taken to ensure the Compliance Officer responsibilities were being covered.

8. Request for Future Agenda Items

None.

9. Call to the Public

No members of the public addressed the Committee.

10. Adjournment of the OC

Mr. David Byers adjourned the meeting at 12:16 p.m.

Respectfully Submitted by,

Zachary Kucera
Committee Secretary

Date

Anthony Guarino
Deputy Director and Chief Operations Officer

Date